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SUBJECT: China Pushes SCO Economic Agenda at Western China
Trade and Economic onference

REFS: A) SHANGHAI 03842; B) BEIJIG 16162; (C) 05 BEIJING
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¶1. (SBU) Sumary: Zhang Deguang, Secretary General of the Shanghai Cooperation Organization (SCO), exhorted his central Asian counterparts at a September 2 event in Urumqi to quickly conclude three key economic agreements on customs, transportation and protection of foreign investment. These are key to broader economic integration between China and Central Asia, he stated. Zhang added that once these agreements were signed by the SCO members they could be expanded to include observer countries. Zhang also emphasized that economic cooperation is important for the SCO, not just politics, security and fighting terrorism. Several otherspeakers also highlighted the importance of the SCO to regional economic cooperation. End Summary.

The SCO - Key to Central Asian Economic Cooperation

¶2. (SBU) Speaking at the High-level Forum on Regional Economic Cooperation between China and Central-West-South Asia of the annual Urumqi Fair on September 2, 2006, SCO Secretary General Zhang Deguang repeatedly emphasized the

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importance of the SCO to regional economic integration. Suddenly switching to Russian, Zhang exhorted visiting delegations from SCO member countries to sign three proposed agreements on customs, transportation (highway cooperation, cargo, vehicles, general procedures, and quarantine conditions) and protection of foreign investment, respectively.

¶3. (SBU) Noting that there are differences of opinion amongst SCO member countries regarding these topics, Zhang

stressed that agreement is needed soon. In further expanding the range of SCO activities beyond the political arena, Zhang added that business leaders and academics should increase their participation in the organization and greater cooperation between politics and business is needed. He emphasized that regional economic cooperation is an important goal and work topic for the SCO, not just politics, security and fighting terrorism.

¶4. (SBU) Former Vice Minister of China's Ministry of Commerce, Liu Shanzai, echoed Zhang's emphasis on the SCO's central role as a platform for enhancing regional economic cooperation. Liu recalled that as early as 2001, when the SCO was formed, mechanisms were set up to establish meetings between economic and trade ministers of SCO member states. At that time negotiations for facilitation of trade and development were also launched. Liu went on to say that at the fifth anniversary celebration of the SCO's founding held in Shanghai in June, 2006 (see Reftel A), all parties agreed to give priority to cooperation in energy, information technology and transportation as well as to actively promote facilitation of trade and investment, gradually realizing the free flow of goods, capital, services, and technology.

¶5. (SBU) Huang Fanzhang, a Deputy Director of the China Reform Forum, also noted in his Urumqi speech that the SCO planned to establish a common market around 2020. He went on to say that at the Shanghai Summit in June, 2006, China promised to provide USD 900 million in loans to increase cooperation among member countries in energy, IT, transport and other sectors.

¶6. (SBU) Yue Sondong, Deputy Director General of the State

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Council's Development and Research Center, continued to echo this theme of the SCO's central role in promoting regional economic cooperation. Yue outlined a series of practical cooperation projects stemming in part from a series of June Summit agreements including the "Memo on Developing Regional Economic Cooperation and Facilitating Trade Investment" and the "Outline on Multilateral Trade Cooperation." These include the China-Kazakhstan oil pipeline that has begun operating, the gas pipeline that is under construction, and the initiation of the China-Kazakhstan Huoergousi Border Cooperation Center that has been initiated. He noted that the member countries of the SCO are working on the subdivision and promotion of 127 projects listed in the plans of the SCO which involve 11 industries, including transportation, energy, communication and agriculture.

Extending Economic Agreements to West and South Asia

¶7. (SBU) In his prepared comments SCO Secretary General Zhang stated that the SCO stands ready to intensify exchanges with countries all over the world, especially Central, West and South Asian states. In his exhortation to the delegates in Russian, he also suggested that these agreements, once signed, would be expanded to include observer countries. (Note: The observer countries include Iran, Mongolia, India, and Pakistan. Observer status was granted to these countries in 2004 and 2005. End Note.)

Comment

¶8. (SBU) China's campaign for the Shanghai Cooperation Organization's greater role in Central Asian economic cooperation was in full swing at the Urumqi Conference. Many speakers stressed the SCO's economic importance in almost identical terms. The presentations in Urumqi did

not make explicit the "differences of opinion" Secretary General Zhang alluded to in his exhortation nor whether they would be resolved by the Dushanbe conference starting in mid-September. This appears to be the first time the SCO has been a main feature of the high-level Urumqi forum. End comment.

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